

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



1.4  
A-1473

LIBRARY  
RECEIVED  
JUL 19 1938  
U. S. Department of Agriculture



# Better Marketing

## Division of Marketing and Marketing Agreements

• AGRICULTURAL • ADJUSTMENT • ADMINISTRATION •

Vol. 3

WASHINGTON, JULY 2, 1938

No. 1

### **CIRCUIT COURT UPHOLDS TEMPORARY INJUNCTIONS AGAINST HANDLERS UNDER MILK ORDER FOR BOSTON**

Temporary injunctions requiring handlers to comply with the provisions of the Federal order regulating the handling of milk in the Greater Boston, Mass., marketing area, are to "continue in force until the final determination of the cases on their merits," according to a decision of the United States Circuit Court of Appeals for the First Circuit.

The court's ruling, dated June 24, was made on an appeal of a group of handlers who challenged the validity of temporary injunctions granted the Agricultural Adjustment Administration last October by the Federal district court at Boston against 31 handlers. A group of handlers against whom injunctions were issued at the time immediately sought a stay from the circuit court. Pending their appeal, the handlers were granted a modification which enabled them to pay money due under the market-wide equalization pool established in the order to the registry of the District Court of Massachusetts instead of to the market administrator in charge of operations under the order. The appeal was argued in the circuit court April 29.

Under the circuit court's decision, based on a hearing April 29, the milk handlers are permitted to continue to pay equalization pool money into the registry of the district court; otherwise they would pay it to the market administrator. Hearings on the merits of the cases against the 31 milk handlers have been held before a special master, and a decision on the granting of permanent injunctions is pending in the district court.

The Greater Boston milk handlers who appealed to the circuit court, and against whom the court ruled, are H. P. Hood & Sons, Inc., Whiting Milk Co., W. P. Elliott Co., Green Valley Creamery Co., Seven Oaks Dairy Co., A. J. Robinson, and William J. Martines et al.

#### **Producers Back Plan**

The Federal order regulating the handling of milk in the Greater Boston marketing area became effective in amended form nearly a year ago, following a referendum in which more than 70 percent of the 12,000 producers voting supported the program. The order establishes minimum prices which handlers are required to pay producers for each class of milk bought, and provides for a market-wide equalization pool through which payments are made to assure producers in each shipping zone uniform returns for milk sold to handlers.

Approximately \$1,500,000 due to farmers under the equalization pool is impounded in the registry of the Federal

district court. A final decision in the cases against the handlers will determine whether the money is to be paid out to producers or paid back to handlers. This money accrues by virtue of both the price fixed in the order and the plan which the order provides through the market-wide pool to assure uniform returns to producers selling milk for the Boston market.

### **POTATO MARKET PLAN HEARINGS COMPLETED**

#### **Marketing Agreement Programs Would Eliminate Culls from Markets and Improve Quality**

Public hearings were held in June on a proposed long-time marketing-agreement program requested by commercial potato growers of 17 late producing States to regulate the handling of Irish potatoes in interstate commerce.

The proposed program is designed to regulate shipment of potatoes produced in designated counties of California and in the States of Colorado, Idaho, Maine,

(Continued on p. 2)

#### **Hearing Considered Changes in Texas Citrus Marketing Plan**

Proposed amendments to a marketing agreement and order regulating the handling of citrus fruits grown in three Texas counties, were considered at a public hearing held June 27, at Weslaco, Tex.

The marketing agreement program for which the amendments have been proposed has been in effect in Cameron, Hidalgo, and Willacy Counties in Texas since July 13, 1937. It was developed by growers and handlers to assist in adjusting citrus shipments more nearly in line with market requirements. The proposed amendments are designed to modify provisions of the program on the basis of operating experience gained during the past season.

### **MARKETING PROGRAM IS APPLE INDUSTRY NEED**

#### **General Crops Section Calls Attention to Factors in Situation Facing Industry**

Low apple prices last season due to a large crop and increases in production of competing fruits again point to the need of growers and shippers getting together to develop and operate an effective marketing program in order to prevent a repetition of the losses and difficulties experienced by the industry.

The General Crops Section indicates that part of the long-time solution of the apple industry's problems calls for a marketing program to eliminate culls and other low-grade apples from fresh sales when supplies of the better grade are adequate. Further development of markets for apple products also offers possibilities.

#### **Understanding Necessary**

An understanding of the factors affecting terminal market prices for apples in the past and what may be expected to affect them in the future is basic to the formulation of a marketing program which may save growers from disastrously low returns, it is pointed out. As marketing charges remain fairly constant, a low level of terminal market prices means low prices and low net returns to growers.

Of all the factors determining terminal market price levels, growers control only two—the quantity and the quality of the apples marketed.

In years of large crops like the past one, a large volume of sales is made which do not cover the cash cost of marketing. For example, during February 1938, slightly more than one-fourth of all auction sales in New York City brought prices which did not cover the cost of packing, warehousing, storage, transportation, and selling.

Wide fluctuations in the size of the total apple crop make it difficult to determine the changes in production which may be expected over a period of years. From 1919 to 1937, the General Crops Section found that the effect upon production of the decline in number of bearing trees was about offset by an increase in the average yield per tree. Farm orchards were found to be declining during that period and the production of commercial orchards assuming greater importance. Changes in productive capacity over the

(Continued on p. 4)





F. R. WILCOX, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts

UNITED STATES  
DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION  
WASHINGTON, D. C.

NATHAN KOENIG • *Editor* • BETTER MARKETING

## POTATO MARKET PLAN

(Continued from p. 1)

Michigan, Minnesota, Nebraska, New Jersey, New York, North Dakota, Ohio, Oregon, Pennsylvania, Utah, Washington, Wisconsin, and Wyoming.

Producers of the late States developed the proposed marketing-agreement program following a conference in Washington in March between representatives of the industry and Agricultural Adjustment Administration officials.

Commercial producers in southern sections of the United States have already developed two marketing-agreement programs for the early and intermediate producing areas.

### One In Effect

One program, made effective May 12 through an order, is an emergency measure designed to meet the marketing situation in the early producing Gulf States area of Texas, Alabama, Mississippi, Louisiana, and Florida. More than 2,100 producers of early potatoes voted in a referendum, and of these nearly 90 percent favored the issuance of the order. This order will terminate July 31, 1938.

Growers in a recent referendum favored a continuing marketing agreement program proposed for 13 early and intermediate potato-producing States. Hearings on this program were held during April. As considered at the hearings, the program would apply to the handling of potatoes from Alabama, Arkansas, California, Florida, Georgia, Louisiana, Maryland, Mississippi, Virginia, North Carolina, South Carolina, Oklahoma, and Texas.

### Flexible Marketing Plan

The potato marketing agreement programs for all areas are designed to provide a flexible marketing plan under which the degree of action taken can be adjusted to the size of the potato surplus in any year. Cull potatoes would be kept from shipment in interstate commerce in periods of moderate surplus. In years of greater surplus the shipment of other low-grade and small-size potatoes could be restricted. Exemptions would be provided for an individual producer if shipping restrictions otherwise would prevent him from disposing of as large a proportion of his supplies as the average disposed of by other producers. No re-

striction would be placed on shipment of No. 1 grade potatoes.

The potato marketing agreement programs follow in general outline the programs in operation in the North Central and Western States for the 1937-38 marketing season, and which terminate July 31, 1938.

These marketing programs in effect last season under orders, together with diversion and purchase programs, improved prices for the 1937 crop, according to producers and representatives of the industry who attended the potato conference in Washington in March. They pointed out that the elimination of cull potatoes from interstate shipments and compulsory Federal-State inspection of potatoes is in line with good merchandising practice and is in the consumer's as well as the producer's interest.

Following the hearings and tentative approval of the late-potato program, a grower referendum will be held to determine whether potato producers favor issuance of an order for carrying out the program. At the same time the agreement will be submitted to handlers for their signatures.

## Western Washington Vegetable Agreement Changes Considered

Western Washington growers and handlers of fresh lettuce, peas, and cauliflower are considering modifications in a marketing-agreement program in effect since July 1934 to assist the industry in adjusting shipments more nearly in line with market requirements.

Amendments to the agreement, considered at a public hearing held May 10 at Seattle, Wash., have been submitted to handlers for signature. Results of a referendum among growers will determine whether an amended order can be put into effect to make the modified program binding on all handlers within the industry.

Major changes in the present program as provided by the amendments are: Dissolution of the proration committee and the administration of the program by a single control committee of 13 members, including 6 members representing handlers, 6 members representing growers, and a thirteenth member to be nominated by the grower representatives selected from each of the 6 designated districts in which the program is effective. The control committee proposed would assume the functions of the proration committee operating under the existing program.

The modified marketing agreement and order would continue original provisions which enable adjustment of total shipments by periods within the marketing season and by grades or sizes, and require uniform grading and inspection during such periods as shipments are adjusted according to grades or sizes.

Adjustment of total shipments of lettuce, peas, or cauliflower would be possible under the program whenever the supplies of any of these commodities become excessive and cannot be marketed at reasonable returns to growers or when this objective cannot be accomplished by the removal of lower grades and sizes from interstate shipments.

## WATERMELON PROGRAM ENTERS FOURTH SEASON

### Marketing Agreement Plan Enables Industry to Improve Quality of Melons Shipped

A marketing-agreement program which enables growers and handlers of watermelons grown in four Southeastern States to adjust their shipments more nearly in keeping with market requirements is now in its fourth consecutive year of operation.

Regulations recommended this season by the control committee administering the program are designed to improve the quality of watermelons shipped to markets out of the producing area. Since May 20 regulations have prevented the movement of watermelons grading under U. S. No. 1.

The program, in effect under a marketing agreement and order, applies to the States of Florida, Georgia, North Carolina, and South Carolina.

### Season Earlier

The watermelon shipping season this year started earlier than usual. Shipments from Florida are nearly completed. Heavy shipments are being made from Georgia, where the season is reaching a peak. Some watermelons are moving out of South Carolina. Watermelons will move to markets from North Carolina during the latter part of July. Total production of watermelons this year is expected to be somewhat in excess of the 24,800,000 melons produced last year, but considerably under the average of 36,780,000 produced in the 1927-36 period.

The watermelon marketing agreement program for the southeastern States has been in operation since August 1934. The program has operated under a Federal marketing agreement and order since May 1936, and previously under a marketing agreement and license.

## Suits to Enforce Federal Order in Cincinnati Milk Market Area

Bills of complaint against three handlers alleged to have violated the order regulating the handling of milk in the Cincinnati milk-marketing area, have been filed in the United States District Court for the Southern District of Ohio, Western Division.

The bills of complaint were filed with the court on June 24. On the same day the court dismissed a suit brought by a producer to enjoin enforcement of the order regulating the handling of milk in the Cincinnati marketing area.

The regulatory program for the Cincinnati milk market became effective May 1 under a marketing agreement and order.

Issuance of the order was favored by 98 percent of the producers, who voted in a referendum. They represented 97½ percent of the volume of milk produced in the area. The agreement was signed by handlers, representing 60 percent of the volume of milk sold in the Cincinnati area.



## Relief Purchase Operations Summarized

Over 957,000,000 pounds of price-depressing surplus agricultural commodities were purchased by the Federal Surplus Commodities Corporation and distributed to the States for the use of the needy and unemployed during the 10 months from July 1937 to May 1938.

The surplus farm products, bought to supplement efforts of farmers in alleviating glutted market conditions and to provide additional food supplies for the needy, were procured in 45 States. Cost of the commodities bought totaled \$21,287,000, and \$5,438,000 was expended for transporting the products to the various States for relief distribution. The total of commodities bought during the 10-month period would fill 29,900 ears or 425 solid freight trains. The per-ear cost of the products averaged \$712, and transportation costs averaged \$182 per car.

An average of more than 2,000,000 needy families a month were supplied with the surplus farm products bought by the Federal Government and distributed by State welfare agencies. The retail value of the surplus commodities distributed for relief use during the 10-month period is estimated at slightly in excess of \$65,000,000.

### Source of Funds

The surplus farm products were purchased with funds provided under the amended provisions of section 32 of the 1935 amendments to the Agricultural Adjustment Act. This provision of law makes available to the Secretary of Agriculture an amount equal to 30 percent of annual customs receipts for such uses as purchases of surplus farm products for relief distribution and diversion of surpluses to encourage domestic consumption. Section 32 also provides for encouraging exports and new outlets as well as new uses for farm products.

Expenditures for surplus farm products for relief distribution alone for the 1937-38 fiscal year which ends June 30 are expected to total around \$15,000,000, according to F. R. Wilcox, Director of the Division of Marketing and Marketing Agreements of the Agricultural Adjustment Administration and vice president of the Federal Surplus Commodities Corporation. In addition, it is estimated that \$9,000,000 will have been spent under diversion programs encouraging new markets and new uses for farm products.

### Funds for Next Year

Funds available to the Secretary of Agriculture for the 1938-39 fiscal year total around \$79,000,000. Under the provisions of section 32 the amount available would have been slightly in excess of \$144,000,000, but in August 1937 Congress earmarked \$65,000,000 of this sum for cotton price adjustment payments.

"How much of the \$79,000,000 available to the Secretary of Agriculture will be utilized for purchasing surplus farm products for relief distribution during the coming fiscal year, cannot be determined

at this time," Mr. Wilcox said. "As in the past, our activities will be governed by agriculture's need for surplus removal operations and the ability of State welfare agencies to distribute with a minimum of waste products bought. In addition, we have in operation a number of other programs to encourage new markets and new uses, and are considering additional activities to expand commercial outlets for farm products. Operation of these diversion programs also will require funds from the total of \$79,000,000 available."

### Objectives of Program

Buying of surplus products for relief use, Mr. Wilcox explained, becomes necessary when the efforts of growers to improve marketing conditions are overwhelmed by a temporary or seasonal surplus situation resulting from variations in weather conditions and wide fluctuations in yields and supplies available for markets.

"Extremely low prices for farm products during a period of a season usually cause a heavy abandonment of production by farmers, with a resulting scarcity of supplies and abnormally high prices a little later on in the season," Mr. Wilcox said. "The purpose of a surplus removal program is to help farmers prevent the effects which glutted market conditions have on prices and future supplies. In this way the interests of both the farmer and the consumer are served. The farmer is able to sell his products on a market that has greater stability and his own efforts to improve selling conditions are strengthened. The consumer is assured of a more even flow of products to market over a longer period of the season at prices not dictated by scarcity conditions. At the same time the surplus products which are bought make a valuable addition to the diets of millions of underfed people who are on State relief rolls. Thus it is possible to make use of products which otherwise would be wasted."

Of particular significance to the grower is the gradual widening of markets resulting directly from many of the surplus removal programs. There is already considerable credible evidence that the distribution is creating potential customers in a group where many of the commodities were hitherto unknown. Nutritional information and recipes describing new uses for familiar commodities as well as educational material for products unknown to recipient families have been distributed with surplus products.

### Commodities Bought

During the 10-month period from July to May, a wide variety of surplus commodities was purchased and distributed

## UNFILLED RELIEF NEED SURVEY BY F. S. C. C.

Survey Being Conducted at Request of  
Secretary of Agriculture;  
States Cooperate

A survey to determine the extent of unfilled need for food and clothing among people on relief in the various States is being conducted by the Federal Surplus Commodities Corporation.

State welfare agencies in charge of distributing surplus farm products bought and made available to them by the Corporation, are cooperating in supplying the necessary information.

The survey was requested by the Secretary of Agriculture in the following:

Twin disasters occurring within the last few months have caused the people of the United States to adopt once more an emergency action program under the leadership of President Roosevelt.

One disaster, due to man's failure to regulate his own affairs wisely, is the shut-down or part-time operation of factories. The other disaster, due in part to the bounty of Nature, is the fall in farm prices and farm income under the weight of huge surpluses.

And once more the factory shut-downs and the farm surpluses have brought to thousands of families the danger of going hungry in a land of plenty.

The threat embodied in this grim paradox is the challenge which faces the Federal Surplus Commodities Corpora-

(Continued on p. 4)

for relief use. Included were five fresh vegetable crops of white and sweet potatoes, onions, cabbage, and celery. Fresh fruits covered apples and pears, grapes, oranges, and grapefruit. Four different dried fruits bought were prunes, apples, peaches, and apricots. Canned and processed vegetables included peas, tomatoes, potato starch, and flour. Dairy and poultry products embraced butter, shell eggs, fluid milk, and dry skim milk. Among the staples were rice, dry beans, and dry peas. Cotton products included fabrics and cottonseed oil in the form of shortening.

The large amounts bought during the 10-month period were: Rice, 70,550,000 pounds; dry peas and beans, 59,000,000 pounds; dried prunes, 45,100,000 pounds; fresh apples, 5,600,000 bushels; dried apples, 14,450,000 pounds; oranges and grapefruit, 1,720,000 boxes; cabbage, 10,170,000 pounds; cottonseed oil, 9,780,000 pounds; butter, 8,320,000 pounds; eggs, 8,100,000 dozen; fluid milk, 8,100,000 quarts; and dry skim milk, 8,650,000 pounds.

The volume of commodities purchased increased 134 percent during the 10-month period compared with the same period a year earlier.

In addition to augmenting the food supplies of over 2,000,000 relief families a month, the surplus removal program has aided materially in establishment of school-lunch projects for the benefit of needy children. It is estimated that nearly a million children have regularly received lunches prepared wholly or partially from these supplies.



## SURVEY RELIEF NEEDS

(Continued from p. 3)

tion at this time. We know that this challenge will be accepted because the Federal Surplus Commodities Corporation and its predecessor, the Federal Surplus Relief Corporation, have for more than 4 years been doing a great deal to bridge the gap between plenty and want by direct action. A great variety of surplus farm commodities has been purchased by the F. S. C. C. and distributed to families of the unemployed.

### "Thorough Survey"

To a considerable extent the problem is already being met. But, as the farmers go ahead with their new A. A. A. farm program to control the overflow from their ever-normal granary, they want to be sure first of all that every family in the United States has enough to eat and to wear. Therefore I am asking the executive committee of the F. S. C. C. to make a thorough survey of the situation in each of the 48 States to determine whether additional supplies of farm commodities beyond those now being consumed are needed to keep the families of unemployed workers adequately nourished and adequately clothed. This information, I understand, can be obtained from the State relief organizations and similar agencies which are already being supplied with surplus farm commodities by the F. S. C. C.

As in the past, I suggest that the needs be expressed in terms of commodities of which great amounts are readily available. This should be done in the interests of economy and in order that surplus buying operations may be of the greatest help to farmers. We should continue to place most emphasis on supplies that are not highly processed or packed in expensive containers, but rather are available in the most economical form.

It is especially important to see that families of the unemployed are adequately supplied with the fruits, vegetables, and poultry and dairy products that are high in protective vitamins and mineral elements.

### Supplements Efforts

The operations of the F. S. C. C. cannot be considered as in any sense a complete or permanent answer to the maladjustments in which farms and factories are caught. Even when we are sure that every family is adequately fed and clothed, a balanced farming program, together with a program to improve marketing conditions, will still be necessary to protect farmers' income and their soil and to keep them in the commercial market for manufactured goods produced by city workers. Furthermore, industrial recovery measures such as those now projected are needed to bolster up city workers' incomes and keep them in the commercial market for the farmers' commodities. But, supplementing these more fundamental measures and pending the return of normal business conditions, some additional program of the F. S. C. C. appears to be needed.

Naturally, operations of the kind I am describing would fail in their effect if surplus commodities supplied directly by the F. S. C. C. merely replaced

amounts of food and clothing that otherwise would be purchased for cash from the regular wholesale and retail trade. Such operations, by dislocating private business, would retard instead of hasten recovery. We must be sure that any surplus commodities supplied to families on relief are, insofar as possible, a net addition to the amounts already being consumed and do not handicap the functioning of the regular commercial system.

Also, we must be sure that these operations do not result in a shifting of the relief burden from State and local agencies that can carry their share of the load to the already heavily burdened Federal Government. The distribution of these farm commodities is not in any sense a substitute for the activities of State and local agencies in providing direct relief for unemployed.

Keeping these various considerations in mind, I believe we can make the work of the Federal Surplus Commodities Corporation even more useful in the future than it has been in the past. I am confident that farmers and city people, no matter how strongly they may deplore the fact of industrial scarcity brought about by closed factories and workless days, will just as strongly approve relentless warfare against scarcity in the food and fiber products of the farm.

## APPLE PROGRAM

(Continued from p. 1)

next 5 years are expected to be small and crops as large as those of 1935 and 1937 are considered possible. In every 5-year period from 1919 to 1937 there has been one crop in excess of 200,000,000 bushels.

### Exports Dropped

Another hazard to the grower has been the declining exports. During the twenties exports increased, but since 1930 the decline has been great. Although the crops of 1930 and 1935 were about the same size, exports in the 1935-36 season were only three-fifths as great as they were in the 1930-31 season. Exports for the past season are not expected to go much over 11,000,000 bushels. The decline in the export market is said to be an important factor in the present marketing difficulties of the apple industry. With a small outlet abroad, growers have attempted to market greater quantities in the domestic market, which in large crop years have brought ruinously low prices.

Mounting cold-storage stocks further weigh down the market. Increased use of cold storage has tended to increase the available supply of apples during the last half of the marketing season when competition from citrus fruit is especially great.

### Competition Growing

Apples are now competing with greatly increased supplies of other fruits, principally citrus. Figures of the General Crops Section show that the combined production of oranges and grapefruit increased from an average of 40,000,000 boxes for the five seasons 1920-21 to 1924-25 to an average of about 74,000,000 boxes for the five seasons 1932-33 to 1936-37, an increase of 34,000,000 boxes,

## Public Hearing on Changes in Fort Wayne Milk Market Program

A public hearing on proposed amendments to a marketing agreement regulating the handling of milk in the Fort Wayne, Ind., area, will be held at Fort Wayne July 6. Evidence also will be taken at the hearing concerning a proposed order in terms similar to the proposed amendments to the agreement. The agreement has been in effect since February 1, 1937.

The hearing is being held at the request of the Fort Wayne Cooperative Milk Producers, Inc., producing about 75 percent of the milk delivered to the Fort Wayne market and on petition of the local milk committee of the Fort Wayne market.

or 85 percent. A record production of above 100,000,000 boxes of citrus was produced for the 1937-38 season, which would be an increase of 15,000,000 boxes, or 18 percent above the previous record of 85,000,000 boxes in the 1934-35 season.

Apples may be expected to meet increased competition from citrus fruits. Production of 100,000,000 boxes of citrus may be expected to occur frequently in the years just ahead, estimates indicate.

### Federal Aid Extended

The critical situation in the apple industry which resulted from increased fruit production during the past season, caused growers and others to request assistance from the Agricultural Adjustment Administration and the Federal Surplus Commodities Corporation. Help was extended to the industry by removing a portion of the surplus apple supply available for commercial markets and diverting them to relief uses. Under this program approximately 4 percent of the total 1937-38 crop was taken out of commercial trade channels for distribution to State welfare agencies for use of the needy and unemployed.

Many growers and members of the trade believe the program has been of material benefit to the apple industry. However, it is the conclusion of the General Crops Section that it would have been much more helpful in improving the apple market had such purchases been accompanied by industry programs regulating the quality of apples sold in the fresh market.

Purchases of apples by the Federal Surplus Commodities Corporation during the 1937-38 marketing season totaled 8,467,300 bushels. Buying operations were conducted in 27 States. Fresh apples accounted for 5,627,637 bushels and the remainder represented 7,386 tons of dried apples. The latter were bought from processors who purchased an equivalent tonnage of fresh apples of merchantable grades and sizes and at a specified minimum price.

The amount spent for fresh apples was \$3,362,097, and for dried apples \$1,229,530.

The 1937-38 commercial apple production for the Nation was estimated by the Bureau of Agricultural Economics at 211,060,000 bushels, which was 93,554,000 bushels over the 1936-37 season and 46,705,000 bushels more than the average total yearly production for the 5-year period 1928 to 1932.